

SECTION-BY-SECTION ANALYSIS

Section 1. This section gives legislation the popular name the "Electronic Funds Transfer Federal Salary Act."

Section 2. Subsection (a) of §3332 which defines "financial organization." is revised to clarify that "similar institution" is an inclusive term and not restricted to "savings and loan association."

New subsections (b), (c), and (d) of §3332 are substituted for current provisions (b) through (e). The former subsection (b) authorized the head of an employing agency, upon an officer's or employee's request, to make allotments of pay, on the officer's or employee's behalf, to not more than three financial organization.

New subsection (b) authorizes the Secretary of the Treasury to issue regulations requiring that, where he determines it to be practicable, wages and salaries of any or all agency employees be paid by electronic funds transfer or any other method determined by the Secretary to be economical, effective, and safe. The term "wages and salaries" is intended to encompass the payment of allowances, differentials, and all remuneration. Such employees will be asked to designate financial organizations to receive payments of their wages and salary. Ample authority for allotments of pay is now and would continue to be provided by 5 U.S.C. §5525. See also, 38 U.S.C. 701 et seq. Heads of employing agencies will be obliged to include in their certifications of employees' pay the information necessary to make payments by the method determined by the Secretary of the Treasury. New subsection (b) also retains the affirmative statement-added to 31 U.S.C. §3332 by its most recent amendment, section 2814 of Public Law 98-369, that the Government shall not charged financial organizations for their handling of direct deposit payments. Subsection (b) (6) provides that the Secretary may, if a person who is employed by the United States Government on the effective date of this Act and whose annual rate of basic pay is less than twenty thousand dollars so requests, permit that person to be paid by check. This "grandfather clause" is in addition to, not in lieu of, the Secretary's general authority to exempt all employees from mandatory direct deposit/electronic funds transfer payments for reasons related to economy, effectiveness, and safety.

Nothing in this Act shall impair or affect the provisions of Section 102(d)(3) of the National Security Act of 1947, as amended, or Section 6 of the CIA Act of 1949, as amended. The Director of the Central Intelligence Agency or his designee may exempt the Central Intelligence Agency or any of its employees

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from regulations issued pursuant to subsection (b)(1) and the requirements of subsection (b)(3), when it is determined that compliance would risk disclosure of intelligence sources and methods or compromise the security of foreign intelligence or counterintelligence activities. Subsection (b)(7) is a special exemption provision for the Central Intelligence Agency.

Old subsection (c) which authorized the issuance of composite checks is eliminated. (To the extent that the Secretary of the Treasury determines that composite check payments are economical, effective, and safe, this authority is retained in new subsection (b).) New subsection (c) is analogous to old subsection (d). Both provide a rule of law that the Government is acquitted of its debt to the officer or employee to whom payment is due when the statutorily authorized transfer to the financial institution is made.

New subsection (d) merely restates old subsection (e). The restatement preserves the authority of the Secretary of the Treasury to determine the method of any payment when the payee's consent is obtained.

Section 3. Subsection (c) of §3332 reserves for the Senate and the House their existing authority to issue their own regulations to implement the direct deposit program. The Secretary of the Treasury will issue the regulations for all other agencies to carry out this program.

Section 4. The Act will be effective on October 1, 1989. Additional time, if needed, will be provided for in the regulations that are authorized by the Act.